

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

THE ESTATE OF YARON UNGAR, et al.

v.

00 - 105L

THE PALESTINIAN AUTHORITY, et al.

**PLAINTIFFS' RESPONSE TO THE MOTION OF NON-PARTIES
CANAAN EQUITY OFFSHORE C.V., CANAAN EQUITY II OFFSHORE C.V.
AND CANAAN EQUITY III OFFSHORE C.V. SEEKING CLARIFICATION
OF THE COURT'S MAY 5, 2005 INJUNCTION**

In the absence of any response from defendants, plaintiffs respectfully tender this brief Response to the motion of the Canaan non-parties:

While the Canaan non-party movants have styled their motion as one for ostensible "clarification" of this Court's Injunction, the Injunction is perfectly clear.

What Canaan actually seeks is a ruling by this Court on two substantive issues wholly extraneous to the Injunction:

(1) Whether the investments titled under the names Palestine Investment Fund, Palestinian Pension Fund of the State Administrative Employees and Becont Ltd. belong to the Palestinian Authority; and

(2) Assuming that the answer to (1) is affirmative, whether the Ungars' rights as judgment creditors take priority over Canaan's rights to "dilute" and distribute to its other partners portions of the PA's investments as a penalty for failure to make capital contributions.

Canaan is headquartered in Connecticut and accordingly, on June 29, 2005, the plaintiffs registered their judgment in the United States District Court for the District of Connecticut (New Haven)(No. 3:05-mc-00208-EBB), have requested issuance of execution and instituted collection proceedings.

In other words, plaintiffs are conducting execution and enforcement proceedings in Connecticut in order to reach the PA investments held by Canaan.

Both of the issues that Canaan seeks to clarify and resolve – i.e. whether the investments at issue belong to the PA and if so the respective priorities among the PA's creditors – can and per force will be resolved by the court in Connecticut, in the context of plaintiffs' execution and enforcement proceedings there.

In the first place, of course, plaintiffs assert and intend to prove in the Connecticut proceedings that the investments titled to the Palestine Investment Fund, Palestinian Pension Fund of the State Administrative Employees and Becont Ltd. are all assets of the PA subject to execution by the plaintiffs in satisfaction of their judgment.

Additionally, the Connecticut court can hear and resolve any claims of priority raised by Canaan and/or the other partners, in respect to the issue of dilution and distribution of the PA's investments as a sanction for failure to meet the capital calls.

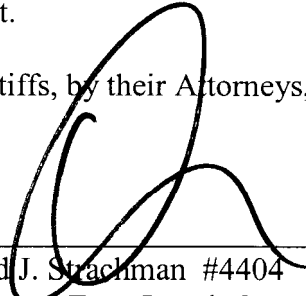
Thus, the Connecticut proceedings will be fully dispositive of the issues that Canaan requests that this Court "clarify," and the judgment of the Connecticut court will therefore completely moot Canaan's instant motion and the questions raised therein.

Since plaintiffs' Connecticut enforcement action must proceed in any case (plaintiffs are unaware of any grounds to seek turnover against Canaan in this Court), and since the

Connecticut action will reach and resolve the selfsame issues raised in the instant motion, it would clearly be wasteful and inefficient to litigate those issues both in this Court and in Connecticut.

Wherefore, plaintiffs respectfully request that this Court abstain from ruling on the two substantive issues raised by Canaan, in favor of resolution of those matters by the court hearing plaintiffs' enforcement proceedings in Connecticut.

Plaintiffs, by their Attorneys,



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CERTIFICATION

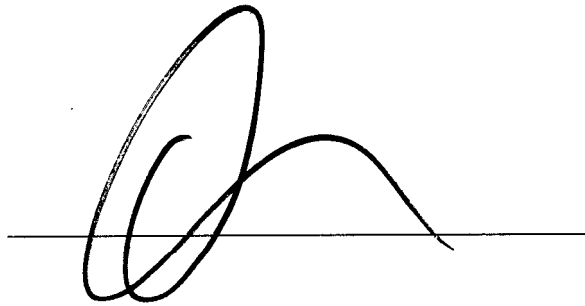
I hereby certify that on the 2nd day of August 2005, I faxed and mailed a true copy of the within to:

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A handwritten signature in black ink, consisting of a large, stylized 'A' or 'R' shape, followed by a horizontal line extending to the right.